

Message Text

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TO USMISSION OECD PARIS PRIORITY

INFO AMEMBASSY LONDON

AMEMBASSY VIENNA

AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

AMEMBASSY COPENHAGEN

AMEMBASSY BONN

AMEMBASSY DUBLIN

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

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AMEMBASSY STOCKHOLM

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AMEMBASSY ANKARA

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TAGS: ENRG, OECD

SUBJECT: IEA: PRODUCER-CONSUMER STANDING GROUP (SPC)
MEETING, DECEMBER 5-6

1. U.S. REPRESENTATIVE SHOULD DRAW ON FOLLOWING GUIDANCE
IN PRESENTING OUR POSITION AT SUBJECT MEETING.

BACKGROUND

2. FIRST MEETING OF THE SPC IS LIKELY TO BE SOMEWHAT
UNSTRUCTURED AND LARGELY PROCEDURAL, BASED ON RECENT
VIEWS EXPRESSED BY CHAIRMAN JOHN WILTON AND LANTZKE.
IN VIEW OF SEVERAL IMMINENT SUMMIT MEETINGS, NO COUNTRY
WANTS TO GET INTO "STRAIGHT-JACKET" REGARDING PRODUCER-
CONSUMER DIALOGUE. OUR ASSESSMENT IS THAT MEETING WILL
ENTAIL INITIAL ROUND OF VIEWS ON GENERAL SUBJECT OF
DIALOGUE, AN ATTEMPT TO DEFINE SCOPE OF THE GROUP'S WORK,
ESTABLISHMENT OF SOME WORKING GROUPS TO DEVELOP POSITION
AND CONTINGENCY PAPERS, AND DISCUSSION OF SOME PRESSING
ISSUES SUCH AS A COORDINATED IEA RESPONSE TO DEC. 12-
14 OPEC MEETINGS AND THE CONTINUANCE OF LANTZKE'S
CONTACTS WITH OPEC SECRETARIAT.

GENERAL U.S. POSITION

3. OUR BASIC POSITION ON THE ISSUE OF PRODUCER-CONSUMER
DIALOGUE REMAINS ESSENTIALLY AS IN SECRETARY KISSINGER'S
CHICAGO SPEECH AND AS ELABORATED IN ENDERS' INTERVEN-
TION AT FIRST GOVERNING BOARD MEETING: THERE IS NO
INHERENT CONFLICT BETWEEN CONSUMER COOPERATION AND
CONSUMER/PRODUCER DIALOGUE, BUT A CONSTRUCTIVE DIALOGUE
CAN ONLY BEGIN AFTER BASIC STEPS HAVE BEEN TAKEN AMONG
CONSUMERS TOWARD A DURABLE SOLUTION. A CONSUMER/PRODUCER
MEETING WHICH IS ILL-PREPARED AND NOT BASED ON CONSUMER
SOLIDARITY CAN COMPOUND THE PROBLEMS IT IS SUPPOSED TO
SOLVE AND LEAD TO MORE RATHER THAN LESS CONFRONTATION
BETWEEN THE TWO GROUPS.

SPECIFIC U.S. POSITIONS
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4. WITHIN THESE GENERAL TERMS OF REFERENCE, FOLLOWING
ARE SPECIFIC ISSUES THAT MAY ARISE AND RESPECTIVE US
VIEWS.

(A) OBJECTIVES OF THE SPC. WILTON HAS MADE POINT OF
WANTING TO DEFINE OBJECTIVES OF SPC AT FIRST MEETING.
WE WISH TO SEE THIS GROUP UNDERTAKE PREPARATIONS FOR

GOVERNING BOARD'S CONSIDERATION OF DIALOGUE ISSUE INCLUDING EVENTUAL MEETING WITH PRODUCERS. MAJOR LIMITATIONS WE FORESEE ARE THAT WORK OF THIS GROUP BE CLOSELY LINKED TO OTHER STANDING GROUPS; PARTICULARLY GROUP ON LONG-TERM COOPERATION, AND THAT ANY DEFINITION OF OBJECTIVE OF ESTABLISHING A DIALOGUE WOULD HAVE TO BE QUALIFIED BY PHRASE SUCH AS "AFTER REQUISITE CONSUMER SOLIDARITY HAS BEEN ACHIEVED".

(B) MODALITIES OF DIALOGUE. THERE IS WIDE RANGE OF POSSIBLE FORMS OF DIALOGUE FROM TECHNICAL LEVEL EXCHANGES OF INFORMATION (AS LANTZKE AND OPEC SECRETARIAT HAVE BEEN DOING) TO EARLY AND FULL BLOWN MINISTERIAL AS PROPOSED BY FRENCH. THERE APPEARS TO BE GENERAL PREDISPOSITION BY GERMANS AND BRITISH (AND EC COMMISSION) TO START DIALOGUE ON A LOWER LEVEL, INFORMAL BASIS, LEAVING FOR LATER QUESTION OF HIGHLY POLITICAL MINISTERIAL. PART OF THEIR MOTIVATION IS CLEARLY TO FIND SOME BRIDGE BETWEEN FRENCH INITIATIVE FOR EARLY PRODUCER-CONSUMER MEETING AND U.S. INSISTENCE ON A SEQUENTIAL RELATIONSHIP BETWEEN DECISIONS ON CONSUMER SOLIDARITY AND SUCH A MEETING. IN ANY EVENT, IT WOULD BE APPROPRIATE TO DISCUSS THE PROS AND CONS OF ALTERNATIVE MODALITIES OF DIALOGUE. U.S. SHOULD BE FIRM, HOWEVER, ON THE SEQUENTIAL LINK, SINCE ANY FORM OF DIRECT DIALOGUE BETWEEN IEA AND PRODUCERS WOULD QUICKLY GET INTO SUBSTANTIVE ISSUES AND REVEAL OUR LACK OF COHESION. IT WOULD ALSO RISK DIVERSION OF NECESSARY EFFORTS

BY CONSUMERS TO REACH DECISIONS ON LONG TERM COOPERATION.

(C) TIMING OF DIALOGUE. ALTHOUGH SOME COUNTRIES ARE LIKELY TO LINK TIMING WITH MODALITIES (I.E., AN INFORMAL, LOW LEVEL DIALOGUE RUNS LESS RISK AND THEREFORE COULD BE CONFIDENTIAL

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START EARLIER), WE SHOULD REMAIN FIRM ON SEQUENTIAL RELATIONSHIP DESCRIBED ABOVE. IN THIS RESPECT, EUROPEANS HAVE RAISED QUESTION AS TO HOW FAR CONSUMER DECISION-MAKING MUST PROCEED TO REACH THE "SOME COLLECTIVE STEPS" SET BY SECRETARY KISSINGER AS THE CONDITION FOR BEGINNING DIALOGUE. IN PARTICULAR, OF THREE KEY AREAS FOR DECISION--FINANCIAL SAFETY NET, CONSUMPTION TARGETS AND DEVELOPMENT OF NEW SUPPLIES THROUGH INVESTMENT ASSURANCES -- THE THIRD CATEGORY, INVESTMENT ASSURANCES, IS CONSIDERED BY MANY EUROPEANS THE MOST DIFFICULT FOR REACHING POLICY DECISIONS AND COMMITMENTS BY EARLY NEXT YEAR. IF PRESSED AT DECEMBER 5-6 MEETING US REP SHOULD TAKE LINE THAT PRECISE FORM OF COMMITMENTS TO ACHIEVE CONSUMER SOLIDARITY IS BEING DEVELOPED ELSEWHERE, PARTICULARLY IN IEA GROUP ON LONG-TERM COOPERATION AND G-10

FINANCIAL WORKING GROUP. HOWEVER, OUR BASIC POSITION IS THAT COLLECTIVE STEPS WOULD HAVE TO BE TAKEN IN ALL MAJOR ASPECTS OF CONSUMER SOLIDARITY: FINANCIAL SAFETY NET, CONSUMPTION, AND DEVELOPMENT OF NEW SUPPLIES.

(D) SCOPE OF SUBSTANCE FOR DIALOGUE. WE HAVE STATED THAT MAIN SUBJECT OF DIALOGUE MUST BE PRICE, BUT SCOPE OF POSSIBLE SUBJECT MATTER IS VERY BROAD, FROM FINANCIAL ARRANGEMENTS, TO AID TO DEVELOPING COUNTRIES (INCLUDING SHORT-TERM FINANCING NEEDS), TO ACCELERATED INDUSTRIALIZATION OF PRODUCER COUNTRIES. WE CONSIDER IT APPROPRIATE TO CONSIDER FULL RANGE OF POSSIBLE SUBJECT MATTER IN THIS STANDING GROUP, INCLUDING DESIRABILITY OF SETTING UP WORKING GROUPS IF SUBJECT IS NOT ADEQUATELY TREATED ELSEWHERE. IF THERE IS MOVE TO ESTABLISH WORKING GROUP ON PRICE STRATEGY, US REP SHOULD NOTE THAT THIS ISSUE IS HEAVILY DEPENDENT ON WORK IN LONG-TERM COOPERATION GROUP, PARTICULARLY WITH REGARD TO DEVELOPMENT OF NEW ENERGY SUPPLIES, AND THAT UNTIL DECISIONS HAVE BEEN REACHED THERE, USEFUL WORK OF SPC ON PRICE STRATEGY WOULD APPEAR VERY LIMITED.

(E) PARTICIPATION IN WORKING GROUPS AND ACCEPTANCE OF DRAFTING ASSIGNMENTS. WILTON MENTIONED ESTABLISHMENT OF WORKING GROUPS AS ONE PROCEDURAL MATTER FOR FIRST SPC MEETING. OUR VIEW IS THAT WE PARTICIPATE IN ALL WORKING
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GROUPS OF REASONABLE SIZE (I.E., UNLESS THERE DEVELOPS A PENCHANT FOR GROUPS OF 2-3 TO PERFORM SPECIFIC TASKS), BUT THAT WE AVOID DRAFTING PAPERS THAT GET US

OUT FRONT WITH RESPECT TO EITHER THE FRENCH INITIATIVE OR CONFRONTATIONAL ISSUES WITH PRODUCERS. THIS WOULD INCLUDE TIMING OR MODALITIES OF ESTABLISHING DIALOGUE AS WELL AS ISSUE OF PRICE. TO EXTENT WE ARE OBLIGED TO DO OUR FAIR SHARE OF DRAFTING, IT SHOULD BE IN CLEARLY NON-CONFRONTATIONAL AREAS SUCH AS ACCELERATED INDUSTRIALIZATION OF PRODUCERS AND PLIGHT OF LDCS.

(F) CONCERTED IEA POSITION ON DECEMBER 12-14 OPEC MEETINGS. WILTON HAS MENTIONED THIS AS PRESSING SPECIFIC ISSUE AND RAISED WHETHER JOINT IEA DEMARCHE TO OPEC BEFORE OPEC MEETING WOULD BE APPROPRIATE. OUR VIEW IS THAT SUCH DEMARCHE WOULD NOT BE USEFUL SINCE OUR WORDS AT THIS POINT WILL HAVE LITTLE INFLUENCE ON OPEC DECISIONS AND COULD BE CONSTRUED AS INITIAL ACT OF CONFRONTATION BY IEA ON CENTRAL PRICE ISSUE. (THIS IS OF COURSE CONSISTENT WITH OUR GENERAL APPROACH OF CONSUMER SOLIDARITY BEFORE DIALOGUE) WE WOULD LIKE, HOW-

EVER, TO TAKE SAME OR SIMILAR LINES IN OUR NATIONAL RESPONSES TO OPEC DECISIONS AND MAY WISH TO REITERATE THIS POSITION AT NEXT GOVERNING BOARD MEETING. AS FOR SUBSTANCE, WE CONSIDER ANY INCREASE IN AVERAGE PRICE OF OIL BY OPEC AT THIS TIME UNJUSTIFIED AND ONLY EXACERBATING CURRENT FINANCIAL IMBALANCE IN INTERNATIONAL ECONOMY AND SEVERE STRAINS OF HIGH OIL PRICES ON ECONOMIES OF BOTH DEVELOPED AND DEVELOPING COUNTRIES. AS FOR MOVEMENT TOWARD SINGLE PRICING (ASIDE FROM ITS IMPACT ON AVERAGE PRICE), WE HAVE NO PARTICULAR POINT OF VIEW SINCE IT STILL NOT CLEAR WHAT EFFECT OF THIS WILL BE ON WORLD PETROLEUM MARKETS.

(G) LANTZKE-OPEC SECRETARIAT CONSULTATIONS. LANTZKE HAS BEEN CONSULTING WITH OPEC SECRETARIAT ON TECHNICAL ISSUES, USING HIS OECD HAT AS ENERGY COUNSELOR TO VAN LENNEP. HE PLANS HIS NEXT TALKS FOR LATE DECEMBER OR EARLY JANUARY. HOWEVER, IN VIEW LANTZKE'S GROWING IDENTIFICATION WITH IEA IN ROLE AS EXECUTIVE DIRECTOR AND OUR DESIRE TO

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AVOID DIRECT IEA LINKS WITH OPEC AT THIS TIME, WE SHOULD OPPOSE FURTHER LANTZKE-OPEC EXCHANGES. THIS WOULD NOT PRECLUDE OTHER OECD SECRETARIAT TECHNICAL CONTACTS CLEARLY UNRELATED TO IEA ACTIVITIES. KISSINGER

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